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SENSITIVE
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STATE FOR AF/W-EPLUMB, EEB/TPP/ABT/ATP JSPECK, TREASURY FOR
DPETERS, US MISSION ROME FOR US REPRESENTATIVE TO FAO
DAKAR FOR FAS RHANSEN

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TAGS: [ECON](#) [EAGR](#) [ETRD](#) [EAID](#) [IMF](#) [IBRD](#) [PGOV](#) [IV](#)

SUBJECT: COTE D'IVOIRE EXTENDS TAX HOLIDAY ON FOODSTUFFS

REF: A. ABIDJAN 279

[1](#)B. ABIDJAN 214

[1](#)1. (U) On July 2, 2008, the Ivorian government announced a three month extension of special tax reductions on basic foodstuffs (rice, milk, palm oil, fish and tomatoes). The reductions were originally announced on March 31 and put into effect on April 1, following demonstrations against the high cost of food (Reftel B) and were meant to contain the political effects from the public's discontent about the rising prices of basic commodities. Measures extended were a VAT reduction from 18 to 9 percent as well as the suspension of the development tax on rice farming.

[1](#)2. (U) Despite the government's announcement, the consumers' association which claimed responsibility for the March demonstrations stated that these measures have had no effect on consumers' purchasing power due to a lack of price enforcement. The group expressed concern that imminent increases in the price of gasoline, diesel, and cooking gas would exacerbate the impact of price increases on consumers' wallets. (Note: On July 6, the government announced new price increases for petroleum products, effective midnight July 7.)

[1](#)3. (SBU) Comment. Given the just announced price increases in petroleum products, the government likely felt that it was politically necessary to extend the tax holiday on the basic commodities. However, the measures will prolong the fiscal drain on the national treasury produced by the tax reductions. The IMF estimated in April that the "temporary" tax measures would cost the Treasury USD 20-25 million. Extension of the measure will likely produce a similar shortfall. Given the widely discussed liquidity problem at the Treasury, this move will only diminish Finance Minister Diby's options as he struggles to find the means to pay for elections, for national identification and voting cards, disarmament and the new national service program designed to absorb demobilized ex-combatants. End Comment.

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